

**25—5.11(175) Events of loan default.**

**5.11(1)** After a loan is in default for a period of 30 days, the lender shall have 10 days to file a report regarding the status of the loan to the authority on forms provided by the authority.

**5.11(2)** The authority may at its option, any time a guaranteed loan is in default, purchase from the lender the note, security agreements, additional guarantees, and other documents for an amount equal to the authority's guarantee. In the event the authority exercises this option, it will issue to the lender a participation certificate representing the lender's unguaranteed interest in the loan. The authority would become the servicer of the loan in such case.

**5.11(3)** All reasonable and necessary expenses incurred by the lender or the authority which are applicable in the liquidating of a guaranteed loan, which are not recoverable from the borrower, cosigners, guarantors, or any other sureties shall be shared ratably by the lender and the authority in accordance with their respective interests in any such loan. If expenses are incurred by the lender to collectively liquidate loans of the borrower, including both the guaranteed loan and another loan or loans not guaranteed by the authority, the authority will guarantee only a pro-rata share of the necessary expenses associated solely with the liquidation of the guaranteed loan.